

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

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TO SECSTATE WASHDC PRIORITY 4299

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMCONSUL MILAN

AMCONSUL NAPLES

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN EXCHANGE MARKET DEVELOPMENTS

SUMMARY. BALANCE OF PAYMENTS FOR OCTOBER REGISTERED SURPLUS
OF \$33.6 MILLION. 1975 BALANCE OF PAYMENTS THROUGH FIRST
TEN MONTHS SHOWED \$631.2 MILLION CUMULATIVE RECORDED DEFICIT.
FOR SAME PERIOD ADJUSTED BALANCE OF PAYMENTS (EXCLUDING
\$920 MILLION IN EUROMARKET LOAN REPAYMENTS) SHOWED CUMULATIVE
SURPLUS OF \$288.8 MILLION. BOI EXCHANGE MARKET INTERVENTION
DURING OCTOBER RESULTED IN \$232.5 MILLION NET SALES OF
FOREIGN EXCHANGE. FROM NOVEMBER 1 THROUGH 18 THERE WAS
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APPROXIMATE NET BALANCE BETWEEN PURCHASES AND SALES OF

FOREIGN EXCHANGE. END SUMMARY.

1. MONETARY MOVEMENTS DATA FOR OCTOBER RECORDED SURPLUS OF \$33.6 MILLION. CHANGES IN BOI RESERVES DURING PERIOD WERE DECREASE IN CONVERTIBLE CURRENCY HOLDINGS OF \$114.7 MILLION, DECREASE IN SHORT-TERM LIABILITIES BY \$2.2 MILLION, INCREASE IN MEDIUM AND LONG-TERM LIABILITIES BY \$22.3 MILLION, AND INCREASE IN SDR HOLDINGS BY \$2.5 MILLION. COMMERCIAL BANKS' NET FOREIGN DEBT DECREASED BY \$165.3 MILLION.

2. RECORDED BALANCE OF PAYMENTS CUMULATIVE DEFICIT FOR FIRST TEN MONTHS OF 1975 OF \$631.2 MILLION WAS FINANCED BY DECREASE IN BOI FOREIGN EXCHANGE ASSETS BY \$987.8 MILLION, DECREASE IN SDR HOLDINGS OF \$86.8 MILLION, DECREASE IN BOI SHORT-TERM LIABILITIES OF \$65.7 MILLION, INCREASE IN BOI MEDIUM AND LONG-TERM LIABILITIES OF \$526.7 MILLION, AND DECREASE IN SHORT-TERM BORROWINGS OF COMMERCIAL BANKS OF \$904.4 MILLION.

3. ACCORDING TO DR. CESARE GERONSI, CHIEF FOREIGN EXCHANGE SECTION BOI, BOI EXCHANGE MARKET INTERVENTION FROM NOVEMBER 1 THROUGH 18 RESULTED IN APPROXIMATE NET BALANCE BETWEEN PURCHASES AND SALES OF FOREIGN EXCHANGE. GERONSI SAID THAT LOSSES THROUGH THE 17TH WERE OFFSET BY LARGE GAINS ON THE 18TH. REGARDING IMPACT ON RAMBOUILLET SUMMIT ON EXCHANGE MARKETS, HE SAID THAT

EXCHANGE MARKET DEALERS BELIEVED THAT DOLLAR WOULD CONTINUE TO BE STRONG IN NEAR TERM. THIS WAS NOT BECAUSE OF ANY DECISION TAKEN AT SUMMIT, BUT BECAUSE OF UNDERLYING US ECONOMIC STRENGTH, PACE OF RECOVERY, AND STRONG BALANCE OF PAYMENTS PERFORMANCE.

4. ON NOVEMBER 18 FOLLOWING FINANCIAL RATES PREVAILED: LIRE SPOT EXCHANGE RATE WAS 681.65 LIRE PER DOLLAR, THREE-MONTH FORWARD RATE WAS 685.75 LIRE PER DOLLAR, WEIGHTED AVERAGED DEVALUATION OF LIRA, ACCORDING TO BOI INDEX SINCE FEBRUARY 9, 1973 BASE PERIOD WAS AGAINST ALL MAJOR CURRENCIES 20.47 PERCENT, AGAINST THE DOLLAR LIMITED OFFICIAL USE

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14.77 PERCENT, AND AGAINST THE EC CURRENCIES 24.93 PERCENT. BLACK MARKET RATE IN MILAN WAS 759.75 LIRE PER DOLLAR, THREE-MONTH EUROLIRA INTEREST RATE WAS 9 3/4 PERCENT, LIRA INTERBANK FORTY-EIGHT HOUR RATE WAS 6.9375 PERCENT, AND LIRA INTERBANK THREE-MONTH RATE WAS 7.6875 PERCENT. BEAUDRY

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